Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
Developing a Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
	)	

COMMENTS OF QWEST COMMUNICATIONS INTERNATIONAL INC.

Qwest Communications International Inc. ("Qwest") hereby submits its comments on the Federal Benchmark Mechanism proposal (or "FBM") submitted on January 30, 2007, and corrected by a filing on February 5, 2007.[1] The FBM proposal is an amendment to the Missoula Plan (or "Plan") designed to address issues faced by states that have already taken steps to substantially reduce intrastate access rates. Though this amendment addresses one small part of the Missoula Plan, the Plan itself still continues to carry so many of its original flaws that the Federal Communications Commission ("Commission") should not adopt it, regardless of this amendment. The Plan contains so many arbitrage opportunities that it guarantees that carriers will continue to "game the system," perhaps even more than they do today.

INTRODUCTION AND SUMMARY

Qwest, in its earlier comments on the Missoula Plan, noted that the Plan has a significant number of prominent flaws. One subset of these flaws is the proposed Restructure Mechanism improperly increases the size of the federal Universal Service Fund ("USF").[2] Numerous other commenters have also addressed this flaw of the Plan.[3] In singling out the early adopter

[1] *See* Missoula Plan Amendment to Incorporate a Federal Benchmark Mechanism, filed Jan. 30, 2007 and correction filed Feb. 5, 2007.

[2] *See* Qwest's Oct. 25, 2006 Comments at 21-22 ("Qwest Oct. 25 Comments").

[3] *See, e.g.*, National Cable & Telecommunications Association at 19-20; National Association of State Utility Consumer Advocates at 59; Cavalier Telephone, *et al.* at 35-37.

concerns, the FBM exacerbates the USF problem and does not fix the other problems with the Plan. This proposal simply makes one problem worse, and does nothing to address any of the other issues which make the Plan unviable. Accordingly, Qwest must oppose the FBM.

The proposed FBM amendment to the Plan focuses exclusively on residential rates, providing funding to carriers and to states. There are four components to the FBM. First, Category A Funding would replace some or all of the federal Subscriber Loop Carrier ("SLC") increases that would otherwise be permitted under the Plan with payments to the carrier from a new federal fund. Only SLC increases that cause the residential revenues per line (which is comprised of the local rate, including any mandatory Extended Area Service ("EAS")), the state USF, state SLC (and federal SLC) to exceed \$25 would be covered. For example, Qwest residential revenue in Wyoming exceeded \$25 in all zones, thus Qwest would qualify for the full SLC increase to be recovered by the Category A Fund. In South Dakota, where residential revenue per line prior to any Plan SLC increase is below \$25, the SLC increase would cause residential revenues to exceed \$25. Accordingly, after implementation of the Missoula Plan South Dakota residential revenues would be \$25 per line with the rest covered by the Category A Fund.

Second, Category B Funding is directed to the state to offset state USF surcharges and then reduce the federal residential SLC in states where the residential revenues per line are already higher than the target before Missoula Plan-induced SLC increases. The states would use this funding to reduce consumer contributions to any existing state USF. The remaining amount, if any, would be used to reduce the federal residential SLC.

Third, Category C Funding is directed to states that have state USF funds and is meant to offset amounts that the state collects via the state surcharge and replace it with federal funds.

Any state with a state USF is eligible for funding from Category C which is not to exceed the smaller of the state fund size or $10 million. If a state fund is receiving less than $10 million in Category B funds, it may receive the remainder of the $10 million from the Category C fund, if that does not exceed the size of the state fund. If a state receives more than $10 million in Category B Funding it may not receive Category C Funding.

Finally, there is a Low-Rate adjustment mechanism which penalizes companies that do not have residential revenue in excess of $20 per line, which may otherwise receive funds from the Restructure Mechanism under the original Plan. It imputes the shortfall below $20 into the proposed Restructure Mechanism revenues to the company.

The FBM proposal is superficially similar to Qwest's benchmark proposal. The Qwest proposal also provides for a level of price for basic local service that should not be exceeded and provides that the federal USF should help keep rates affordable. That is the end of the similarity. Qwest's proposal is to use a benchmark based on 125 percent of the weighted average of urban residential and business rates (including SLCs). This benchmark is approximately $37. Under this proposal, the incumbent Local Exchange Carriers current interconnection revenues are converted to an increase in the SLC up to the benchmark (or revenue neutrality, whichever is lower). By limiting the weighted average of residential and business rates (including SLCs) for rural carriers to this benchmark, rural service is both affordable and comparable to urban rate levels. To the extent that lower income households, both urban and rural are affected by the increases in the SLC, Qwest proposes that the Lifeline program be expanded to offset this increase. Qwest described this plan in more detail, including the effect on urban and rural households and the federal USF at pages 22-24 of its comments filed in this docket on July 20, 2005.

ARGUMENT

The substantial differences between the FBM and Qwest's benchmarking proposal mean that Qwest cannot support the FBM. Any similarity between the FBM and Qwest's benchmarking proposal is only superficial. The FBM contains significant problems as a benchmark. It also fails to address any of the other problems imbedded in the Plan.

First, the FBM's supporters appear to have chosen at random the proposed $25 high benchmark and $20 low benchmark. Moreover, the FBM fails to include business rates in the overall calculation. The High Rate benchmark for Category A Funding is not high enough, and should be increased. A higher benchmark would lead to less reliance upon the federal USF. Similarly, the Low Rate Benchmark for the Low Rate Adjustment is too low, and again does not take into account business rates. This leads to further drain on the federal USF. Finally, Category C Funding appears to address state concerns over "early adopters." It does not address high rates that consumers may experience. This funding just compensates states that already have a state USF, no matter how low the rates in that state, adding further burden to the federal USF, and exacerbating what is already a major flaw of the Plan.

Moreover, the FBM does little to ameliorate other problems of the Plan. Specifically, the plan for recovering lost intercarrier compensation revenues is still unfair to Tier 1 carriers and their customers. The Plan continues to rely on different SLC caps based on a carrier's track, rather than a carrier's per-line revenue, with Tier 1 carriers having a higher SLC cap than other carriers.[4] Thus, the Plan does not do enough to address the problem that carriers who have had below-average end-user rates may replace their high access rates by drawing more from the Restructure Mechanism, funded by other carriers that have end-user rates at or above the national

[4] *See*, *generally*, Qwest Oct. 25 Comments at 18-21.

average and more reasonable access rates. This is particularly poignant in Qwest's rural areas where Qwest's rural customers are charged more than their neighbors who are customers of Track 2 or Track 3 carriers, because those carriers receive high cost support and have higher access charges.[5]

CONCLUSION

In sum, Qwest cannot support the FBM despite its superficial resemblance to Qwest's benchmark plan. The FBM further bloats the federal USF, and does little to redress the disparity in treatment of carriers based upon their track record.

Respectfully submitted,

QWEST COMMUNICATIONS
INTERNATIONAL INC.

By: /s/ Daphne E. Butler

Craig J. Brown
Robert B. McKenna
Timothy M. Boucher
Daphne E. Butler
Suite 950
607 14th Street, N.W.
Washington, DC 20005
(303) 383-6653

Its Attorneys

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[5] Qwest has seen a significant increase in artificially inflated switched access traffic, which is caused by the current variances in the rate structure. The Missoula Plan's tier structure would continue the incentive to rely on arbitrage.

CERTIFICATE OF SERVICE

I, Richard Grozier, do hereby certify that I have caused the foregoing **COMMENTS OF QWEST COMMUNICATIONS INTERNATIONAL INC.** to be 1) filed with the FCC via its Electronic Comment Filing System in CC Docket No. 01-92; 2) served via e-mail on Randy Clarke, Pricing Policy Division, Wireline Competition Bureau at Randy.clarke@fcc.gov; and 3) served via e-mail on the FCC's duplicating contractor Best Copy and Printing, Inc. at fcc@bcpiweb.com.

/s/Richard Grozier

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